

# ICPS newsletter

## To be effective, the World Bank should work as a partner

*James Wolfensohn, President of the World Bank, visited Ukraine last week. The programme of his visit included a meeting with representatives of several non-governmental organisations. At this meeting, Vira Naniivska, Director of the International Centre for Policy Studies, shared her ideas regarding the role of the World Bank in the process of transformation in Ukrainian society and the co-operation of non-governmental organisations with the Bank. It is our pleasure to offer you a summary of this presentation*

In this country notwithstanding the age, we are all young students of democracy. This transformation goes right through every one of us. The most difficult lesson to be learned for both individuals and the government is to accept the legitimacy of the interests of others.

Managing reforms, supporting them, interacting with the international community in a cacophony of only recently freed societal voices: this is an enormous challenge which requires specific skills. These are the skills which we need to learn.

Instead of continuous working dialogue and partnership with the international community, our situation is such that we move from one crisis to another, with each side blaming the other. Every student of development economics knows what is wrong with Ukraine: lack of political will in the government, corruption, weak civil society. And it is true. However, there is another player critical to Ukrainian transformation: this is the international donor community, active in designing reforms and assisting in their implementation.

Numerous critics of the Bank claim that governments do not accept the Bank's programmes as their own because they are not involved in the process of the development of these programmes. As a result, proposed reforms and globalisation do not help to improve the living standards of most of the population; on the contrary, poverty increases. As a reaction to this criticism, new slogans are proclaimed: co-operation, active government participation

in reforms, partnership with non-governmental organisations. Do they help? No.

So what is missing? The concepts are all there. At all stages, World Bank analysis of developing economies has been of high quality. Liberalisation, privatisation and macroeconomic stabilisation, followed by ownership, participation, institutional capacity building, and poverty reduction: these can only be applauded. The true challenge, however, is in the implementation of these ideas.

Liberalisation was introduced into a fully totalitarian regulatory system, without the presence of even the notion of competition, nor laws, regulations or procedures and skills of competition protection. Without a contract enforcement system in place. As a result, the old system of control was destroyed, but within this process of change a new market system of checks and balances failed to emerge.

Certificate and mass privatisation designed and performed on anti-market socialist ideas of "fair and equal redistribution of property" pushed into deeper shadow already existing businesses—co-operatives and leased enterprises—instead of supporting and legitimising them into the new market system. All power of decision about the mechanisms of privatisation was given to the government, which continued to function with an intact totalitarian machinery. As a result, the first wave of Ukrainian small and medium size businesses was completely destroyed, shadow corrupt connections strengthened, and faith in

### *This week's events*

**European integration: The parliamentary dimension.** On October 13–14, 2000, in Kyiv, the Foreign Affairs Committee of the Verkhovna Rada of Ukraine, in co-operation with the International Centre for Policy Studies, will hold an international parliamentary conference entitled "European Integration: The Parliamentary Dimension".

The conference aims to establish a dialogue between the Verkhovna Rada of Ukraine and the parliaments of Central, Eastern, and Southern European countries and the Baltic States and to create a parliamentary network for exchanging information and experience in the European integration process.

The conference objectives are:

- to analyse the internal work of parliaments (activities of committees on European integration, co-operation between foreign affairs committees, between European integration committees, and other committees, as well as contacts of these committees with corresponding EU bodies);
- to determine ways of co-operation between the Verkhovna Rada of Ukraine and parliaments of Central, Eastern and Southern European countries and the Baltic States on European integration; and
- to share the experience of parliamentarians from Central, Eastern, and Southern European countries and the Baltic States on the activities of relevant committees and on accelerating integration processes.

During the conference, the following issues will be discussed: (1) the role of parliament in developing a democratic society in new Europe; (2) the legal bases of European integration: experience of Central, Eastern and Southern European countries and the Baltic States parliaments; (3) harmonisation of national legislation: principles and subjects; co-operation between government and parliament; and (4) economic integration: free trade agreements.

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### Next week's events

**Economic forecast discussion.** On October 17, 2000, the expert discussion of forecasts for Ukrainian economy developments in 2000-2002 will take place at ICPS. This forecast has been developed by ICPS economists. We invite representatives of government, business, and research organisations with expertise in forecasting to attend this seminar.

We propose to discuss the following questions: (1) what kind of factors will contribute to economic growth in 2000; (2) in what way will these factors affect the changes in economic development for 2000-2002; and, (3) what are the indicators and risks of the forecast for 2000-2002.

*If you wish to obtain an invitation to the seminar, please contact Andriy Bega (abega@icps.kiev.ua), tel.: (044)463-5967.*

reforms and private enterprise was undermined.

This experience points to a substantial gap between the stated purposes of reform projects and their actual mechanisms of implementation. There is a lack of skills in the Bank at the ground level to deal with participation, communication, policy development, policy management, policy coordination and policy consultations. Bank employees are not able to assist the Ukrainian side to shape the launching of new processes. In developed countries, all these activities are no less professional than macroeconomics: there are special university programs, qualification requirements, standard operational procedures, guidelines and document templates.

The Bank, though, continues to function in an intuitive manner when it comes to work in this field. Bank economists are put under an unbearable pressure of

contradicting pulls when they have to function beyond the scope of their expertise.

My recommendations for the World Bank at this stage of transformation in Ukrainian society are as follows:

- the introduction of feasibility studies on institutional and political capacity of the government to make and implement decisions;
- further technical assistance emphasises policy management and change management;
- greater attention and effort expended in the area of communication with clients involved in reform.

The World Bank is supposed to play an important role in transformational processes both in Ukraine and the world. Only through the partnership and mutual support will the objectives of successful transformation be realised. ■

## Ukrainians and Canadians develop the model of Ukraine's economy

***One year has passed since the joint project of the research centre Conference Board of Canada, the government of Ukraine, and the International Centre for Policy Studies "Macroeconomic Modelling and Forecasting in Ukraine" was launched. This three-year project (1999-2000) is supported by Canadian government through the Canadian International Development Agency. The structure of database for modelling Ukrainian economy has already been developed. In six months, this first draft model will be presented***

The project aims to increase the capacity of the Ukrainian government to develop comprehensive economic policy to ensure the transition towards a market economy. The major objectives of the project are to introduce systemic usage of contemporary methods for economic modelling and forecasting in activities of Ukraine's central government bodies and to create an effective macroeconomic model of Ukraine's economy. The programme involves the training of employees from the Ministry of Finance, the Ministry of Economy, and the National Bank of Ukraine.

*"The level of participation is high among both official trainees and auditing trainees (employees of the same ministries who study on their own initiative) and their enthusiasm is expected to continue, as the practicality of the training to everyday responsibilities becomes clearer as the macroeconomic model becomes operational",* notes Michael Sperber, project manager, in this report.

In this project, nine training sessions have already been conducted by specialists of the Conference Board of Canada. Between sessions, trainees work independently on their home assignments. Since the beginning of project, interrelations among major economic indicators have been determined, and the structure of the database has been developed. Currently, the process of model development is at the stage of quality analysis and checking of the database. It is expected that the first draft of the working model will be ready in April-May 2001. At that time, the draft will be presented to the public.

Specialists who implement this project pay special attention to development of trainees' analytical skills, they also put much efforts to approximate training to practical needs and everyday responsibilities of each trainee. The problem related to the uneven starting level of trainee's preparation is no longer

an obstacle: it was overcome by joint efforts of both sides involved in the training process. The results of testing conducted by project employees revealed that the trainees gained sufficient knowledge and developed the skills necessary for model development.

The project helped both, to improve co-ordination among the ministries, and better determine their needs. In particular, trainees developed a mutual vision on methodological issues and requirements for data collection.

The special feature of this project is that Ukrainian experts execute the project while Canadian experts consult and guide them by sharing their experience and knowledge. Senior officials of the National Bank and ministries involved in the project expressed their readiness to promote the achievement of project objectives. They expect the results of the project to be an effective forecasting tool that will help to improve government decisions. ■

*For additional information about the project "Macroeconomic Modelling and Forecasting in Ukraine" please contact Oksana Remiga (oremiga@icps.kiev.ua), tel.: (044) 462-4937/38.*

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